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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1941,

No. ~~1029~~ 45

SOLA ELECTRIC COMPANY,

Petitioner,

vs.

JEFFERSON ELECTRIC COMPANY,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE
CIRCUIT COURT OF APPEALS FOR THE
SEVENTH CIRCUIT

AND

BRIEF IN SUPPORT THEREOF.

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**PETITION FOR WRIT OF CERTIORARI TO
THE CIRCUIT COURT OF APPEALS FOR
THE SEVENTH CIRCUIT.**

*To the Honorable Harlan Fiske Stone, Chief Justice of
the United States, and the Associate Justices of the
Supreme Court of the United States:*

Your petitioner, Sola Electric Company, respectfully
prays for the issuance of a writ of certiorari to the Cir-
cuit Court of Appeals for the Seventh Circuit to re-
view the judgment of that Court entered on December

29, 1941, (R. p. 71) in a case numbered and entitled on its docket "No. 7534, *Jefferson Electric Company, Plaintiff-Appellee, v. Sola Electric Company, Defendant-Appellant*." A petition for rehearing (R. pp. 73-83) was duly presented and was denied on February 7, 1942, (R. p. 99). The mandate of said Court was stayed for thirty days to permit this application for a writ of certiorari (R. p. 99).

A certified transcript of the record in the case, including the proceedings in the said Circuit Court of Appeals, is presented herewith in accordance with Rule 38 of this Court.

SUMMARY STATEMENT OF MATTER INVOLVED.

Respondent, Jefferson Electric Company, an Illinois corporation, sued petitioner, Sola Electric Company, a Delaware corporation, in the United States District Court for the Northern District of Illinois (R. pp. 2-6) to recover royalties alleged to be due in accordance with the provisions of a license granted by respondent to petitioner (R. pp. 6-12) under United States Letters Patent Nos. 1,777,256 and 1,786,422, relating to electric transformers (R. pp. 14, 28).

The issues formulated by the Complaint and Answer were (1) whether petitioner had theretofore accurately reported and fully accounted for an admittedly licensed unit, and (2) whether a second or modified unit sold by petitioner (neither reported nor accounted for) was comprehended by the license.

The second unit, if covered at all, is covered only by certain broad claims of the '256 patent, of which respondent deliberately prevented a formal adjudication in a prior patent infringement suit, by withdrawing

them after their validity had been put in issue. The decision of the Court in that case necessarily considered the subject matter of the broad claims in passing upon other more narrow claims left in suit and found the device thereof to be in the public domain. Petitioner, inasmuch as its license contains price fixing provisions, applicable only "so long" as the purportedly licensed devices "continue to be covered by said patents," included a counterclaim, in its Answer (R. pp. 51-53, 55), which sought a formal declaration of the invalidity of the broad claims, so as to effect a release of the second device from the obligations of the license and the price fixing control being asserted by respondent.

The propriety and legal sufficiency of the counterclaim are here involved, the Courts below having ordered it stricken.

Pertinent provisions of the license are reproduced in the margin* and the essential facts are these:

* (5) Jefferson Company grants this license on the express condition that the prices, terms, and conditions of sale, for use or sale in the United States of America, its territories, dependencies and possessions, of transformers embodying any invention covered in the said patents, and so long as such devices continue to be covered by said patents, shall be no more favorable to the customer than those which from time to time the Jefferson Company establishes and maintains for its own sales and/or that of its other licensees of similar or competing transformers under such patents, to such or other similarly situated customer purchasing in like quantities. The Sola Company shall be notified of all such prices, terms, and conditions of sale fixed by the Jefferson Company.

(10) The Jefferson Company agrees that it will bring and diligently prosecute such suits for infringement of the patents under which this license is granted as may reasonably be necessary for enforcing those patents and preventing unlicensed competition.

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Respondent's '256 patent (R. p. 13) contains broad and narrow claims and at the time of the issuance of the license to petitioner was unadjudicated.

Accordingly, petitioner promised respondent that it would pay royalties and maintain fixed prices only so long and on such of petitioner's devices as were covered by claims of the patent whose validity was unimpaired by adverse judicial decision. Respondent, conversely, agreed that petitioner was to have the right to manufacture and sell the devices covered only by adjudged invalid claims freed of the burdens of the license without being required to repudiate the license as to devices defined by valid claims of the patent. The limiting phrase found in the price fixing provisions, i.e., "so long as such devices continue to be covered by said patents" obviously means that price control was to be effectual only insofar as respondent had valid patent

(11b) In the event that any of the claims of any Letters Patent under which a license is granted hereunder are held in any suit for infringement to be invalid or not infringed, or are awarded to another by a court of last resort or by a lower court or tribunal of competent jurisdiction from whose judgment no appeal is taken or certiorari granted within the period allowed therefor, then with respect to any claim so held to be not infringed the construction placed upon the claim by such court shall be followed with respect to acts occurring after the date of entry of the judgment or decree of such court or the issuance of the mandate, and with respect to any claims held invalid or awarded to another, the licensee shall be relieved from including in its reports hereunder transformers shipped, and acts performed, after the date of entry of the judgment or decree, or the issuance of the mandate of such court or tribunal, covered only by such claims, provided, however, that if there are two or more such final judgments, decrees, or mandates with respect to the same claim, the one more favorable to the claim shall be followed if, and so long as there is reasonable ground to believe that that judgment, decree, or mandate is correct. (R. pp. 8, 9, 10).

claims and shows that the parties knew that public policy forbids the exercise of price control by respondent over devices not embraced by its actual patent monopoly.

To insure judicial examination of the patent when its validity was disregarded by unlicensed competitors, respondent covenanted to bring suits for infringement to enforce the patent and prevent unlicensed competition. Following judicial examination of the patent, the rights and obligations of the parties were to be fixed at, or restricted in accordance with, the adjudged scope and validity of the patent.

In 1936, subsequent to the issuance of petitioner's license, respondent brought suit,* in the Sixth Circuit, against an unlicensed competitor, and originally charged infringement of all of the narrow claims and most of the broad claims of the patent. Later, upon the commencement of the trial, and in the face of a direct challenge to the validity of the broad claims, respondent withdrew them from contest (R. p. 51). If these claims are in fact void, respondent thus deliberately prevented a formal adjudication of their invalidity. The Sixth Circuit Court of Appeals found in that case that the narrow claims left in suit were valid and infringed. In reaching this conclusion, the Court necessarily found, upon a review of the prior art, that a "balanced transformer" which essentially is the only device defined by the withdrawn broad claims "belonged to the public" at the time that respondent's assignors applied for the patent. The Court sustained the narrow claims, because it found patentability solely in the *specific combination* of a "balanced transformer" which was *old* and a "mid-

* *Jefferson Electric Co. v. France Mfg. Co.* (C. C. A. 6)
106 F. (2d) 605.

point ground" which was *old*, it being expressly stated by the Court that this was a *short step* only. If not expressly, at least by clear implication, the Court's review of the prior art and its conclusion on patentability published to the world the invalidity of any claim in the '256 patent which did not contain the specific patentable combination or which, conversely stated, only defined a "balanced transformer" found by the Court to be in the public domain.*

Petitioner, in its answer, has denied that its second unit is covered by the patent claims, properly construed. However, if the broad claims of the '256 patent withdrawn from contest in the *Jefferson-France* case are the only claims which reach petitioner's second unit and if they are in fact void because the device defined thereby is in the public domain, then obviously, petitioner will be required to pay royalties for, and respondent will be exercising price control over, devices outside the scope of the respondent's actual patent monopoly. As against that possibility, petitioner included in its answer the counterclaim here in issue and prayed for a declaration of the invalidity of the broad claims withdrawn from contest in the prior litigation. Petitioner justifies the counterclaim on the grounds:

(1) that respondent had prevented a formal adjudication, in the prior suit, of the broad claims of the patent because of the effect of a finding of invalidity of such claims upon the patent license and thereby vio-

* See Appendix B, (*post*, p. 39) where we present a side-by-side comparison of claim 13 (a typical broad claim withdrawn from contest and now asserted against petitioner) and claim 14 (a typical narrow adjudged claim) and demonstrate that the broad claim does not contain the specific patentable combination and is thus, on the face of the Court's opinion, invalid.

lated the intent of the parties to and the spirit of the license; and

(2) that respondent is attempting to exercise unlawfully price control over petitioner on devices which, if covered at all, are covered only by the broad claims of the patent which were withdrawn from issue in the prior suit and which are in fact void.

The Courts below dismissed petitioner's counterclaim because of the patent law principle that a licensee is estopped to deny the validity of the patent under which he is licensed. The Court of Appeals branded the counterclaim "an effort to override that principle" and in practical effect held that petitioner should waive and give up its license and jeopardize its obvious investment in plant equipment by becoming a deliberate infringer of narrow adjudged valid claims as to one of its transformers in order to establish the rights of the public in another transformer defined, if at all, only by broad but invalid claims.

Dealing with petitioner's insistence that, if the broad claims are in fact void, respondent is, in substance, imposing unjust charges upon and exercising price control over transformers not embraced by respondent's actual invention, the Court of Appeals held that public policy was not involved here because "the public by its government has granted a patent" to respondent upon everything which was licensed to petitioner and that this "grant carries with it a presumption of validity until it is overcome by the judgment of a federal court." The Court consequently held that the record disclosed no attempt on the part of respondent "to fix prices upon anything not covered by the patent" and ruled that the situation hence is "not amenable to anti-trust laws in the interest of public policy". (R. p. 68).

The Court of Appeals refused to modify or restrict the principle of patent license estoppel in the interests of public policy and stated:

"Public policy from the beginning of our Government has favored the issuance of patents, and Congress and the courts, consistent with that purpose have protected them by legislation and judicial interpretation. It seems to us that the ends have justified the means. Any departure from the well-settled principles should be addressed to Congress and not the courts" (R. pp. 68, 69).

Petitioner also contended in the Court below that respondent was estopped to invoke a patent license estoppel against petitioner because it was the clear duty of respondent to keep the broad claims in contest in the former litigation if it thereafter intended to exercise price control under those claims or assert an estoppel against petitioner. The Court of Appeals found, however, that respondent discharged its obligations, apparently both public and private, by only establishing the validity of three narrow claims (R. p. 69).

JURISDICTION.

1. The jurisdiction of this Court is invoked under § 240 (a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. § 347).
2. The judgment of the Court of Appeals was rendered in a civil action upon a counterclaim brought under the Patent Statutes to determine the issue of validity of letters patent of invention.
3. The date of the judgment to be reviewed is December 29, 1941 (Petition for Reliearing denied February 7, 1942).
4. Among cases believed to sustain jurisdiction to issue the writ are:

General Talking Pictures Corp. v. Western Electric Co., 304 U. S. 175.

Carbice Corp. v. American Patents Corp., 283 U. S. 27.

Schriber-Schroth Co. v. Cleveland Trust Co., 305 U. S. 47.

Morton Salt Co. v. G. S. Suppiger Co., 86 L. Ed. 317.

QUESTIONS PRESENTED.

The following questions are presented:

1. Where public policy is raised in a patent license accounting suit, is a Federal Court, sitting as a court of equity, powerless because of a principle of patent license estoppel to determine the actual validity of merely *prima facie* valid patent claims? More specifically:

(a) Should an implied estoppel to contest the validity of patent claims yield in the interest of public policy at the behest of a licensee where, in a prior patent infringement suit involving the licensed patent, a competent court not only vitiated the *prima facie* validity of certain claims but also, in practical effect, found them invalid, and where, moreover, the patent license itself expressly emphasizes the public interest by providing for the release of devices covered only by invalid claims both from the imposition of royalty charges and the exercise of price control? And

(b) Is not a patent licensor estopped in the interest of public policy to invoke an estoppel against a licensee to contest the validity of certain claims of the patent where by so doing he is taking advantage of his own deliberate avoidance of an adjudication of those claims

after their validity had been directly challenged in previous patent litigation and where he is thus being empowered to fix prices under those claims?

2. Where, in adjudicating certain patent claims, a court has found patentability solely in a specific combination and has necessarily adjudicated certain subject matter to be old, is the effect thereof the equivalent of an adjudication of the invalidity of other claims of the patent which define only such old subject matter within the meaning of a license which provides for the release from its burdens of devices covered only by adjudged invalid claims?

REASONS RELIED UPON FOR THE ALLOWANCE OF THE WRIT.

The discretionary power of this Court is invoked upon the following grounds:

1. The Court of Appeals for the Seventh Circuit, by its decision, has misconceived the true nature of public policy as to patents and has unduly limited the functions of the Federal Courts in carrying out that policy, and has thus decided an important question of federal law in a way in obvious conflict with applicable decisions of this Court.

2. The Court of Appeals for the Seventh Circuit, in deciding that a Federal Court, sitting as a court of equity, is powerless to relieve against a licensee's estoppel to contest the validity of his licensor's patent and thus permit an inquiry into the actual validity of certain claims of the licensed patent in order to test the legality of price fixing provisions contained in the license, has decided an important question of federal law which has not been, but should be, settled by this Court.

3. The Circuit Court of Appeals for the Seventh Circuit, in deciding that a patent licensor who deliberately withdraws certain patent claims from contest in the face of a direct challenge to their validity is not thereafter estopped to assert an estoppel under said claims against his licensee and may thus defeat an inquiry in the interest of public policy into the actual validity of the claims, has decided an important federal question which has not been, but should be, settled by this Court.

4. The Circuit Court of Appeals for the Seventh Circuit, has decided an important question of general public interest as to patent licenses which has not been, but should be, settled by this Court.

PUBLIC IMPORTANCE.

As appears from the annexed affidavit of Leonard C. Marschall, respondent has also granted licenses under its patents to each of the following companies:

General Electric Company.

Westinghouse Electric & Manufacturing Company.

Webster Electric Company.

Acme Electric & Manufacturing Company.

Dongan Electric Manufacturing Company.

Montroy Electric Company.

Reynolds Electric Company.

Thordarson Electric Manufacturing Company.

It also appears that the patent here involved is being used as the basis for domination of not less than 75% of the electric transformers now being manufactured and sold for use in the very extensive and important neon sign industry. The same electric transformers

are also ideally adapted for, and are now being extensively used in, the newly developed and rapidly progressing fluorescent lighting industry. It is not unlikely that respondent's domination in this latter industry will be of an order equal to that present in the neon sign industry.

The patent here involved thus affects two very important industries; practically all of the large and important manufacturers therein have been concentrated thereunder by virtue of the licenses issued by respondent. Through its licensing system respondent, moreover, exercises price control of the transformers made and sold by all of these companies.

So far as is known to petitioner, respondent's patent has not been placed in litigation since the decision of the Court of Appeals for the Sixth Circuit in 1939 (106 F. (2d) 608). Hence, the small percentage of unlicensed transformers being manufactured and sold in this country either do not come within the apparent scope of respondent's patent or respondent has been unwilling to place its patent in jeopardy.*

The failure of respondent to litigate its patent against the small percentage of unlicensed competitors, and its conduct in the *Jefferson-France* litigation, show that respondent is determined to avoid an adjudication of the broad claims of its patent. So long as respondent is possessed of these claims, respondent is in position to dominate and control two very important Am-

* The France Company, which was adjudged an infringer in the Sixth Circuit, subsequently placed on the market a modified electric transformer which respondent sought to include in the *France* accounting as an infringement. The District Court (35 F. Supp. 835, 836) ordered the Master to exclude this device from the accounting and held that the differences required "a trial by a new action." Respondent to date has not instituted a new action against France.

erican industries. The mere estoppel of petitioner, as of any other licensee, may henceforth, according to the Court below, be used by respondent, in lieu of actual validity, as warrant for the exercise, through its vast licensing system, of effective price control in those industries.

From the foregoing, it is also evident that this Court may never have an opportunity to resolve a conflict between decisions of different Circuit Courts of Appeals upon the patent here involved. All this emphasizes the public and economic concern which should constrain this Court to review the judgment below.

PRAYER.

WHEREFORE, your petitioner respectfully prays that a Writ of Certiorari be issued out of and under the seal of this Honorable Court directed to the Circuit Court of Appeals for the Seventh Circuit, commanding that Court to certify and send to this Court, for its review and determination on a day certain to be therein named, a full and complete transcript of the record and all proceedings in the case numbered and entitled on its docket "No. 7534, *Jefferson Electric Company, Plaintiff-Appellee v. Sola Electric Company, Defendant-Appellant*," and that said judgment of the Circuit Court of Appeals for the Seventh Circuit may be reviewed by this Honorable Court and that your petitioner may have such other and further relief in the premises as to this Honorable Court may seem meet and just.

SOLA ELECTRIC COMPANY,
By LESLIE W. FRICKE,
J. BERNHARD THIESS,
SIDNEY NEUMAN,
Its Attorneys.

**AFFIDAVIT OF LEONARD C. MARSHALL IN SUPPORT OF
PETITION FOR WRIT OF CERTIORARI.**

State of Illinois, County of Cook, ss.

Leonard C. Marshall, being duly sworn, deposes and says that he is of mature age, a resident of LaGrange, County and State aforesaid, and is sales manager of Soia Electric Company, petitioner in the foregoing petition;

That he knows and is familiar with the amount of business transacted by practically all of the principal manufacturers of electric transformers manufactured for use in the neon sign lighting industry in this country and sold in competition with the products of his company; that in addition to the Jefferson Electric Company, owner of the patent here involved, such companies are:

General Electric Company.

Westinghouse Electric & Manufacturing Company.

Acme Electric & Manufacturing Company.

Dongan Electric Manufacturing Company.

Montroy Electric Company.

Reynolds Electric Company.

Thordarson Electric Manufacturing Company.

That the Jefferson Electric Company has issued licenses under its patent here involved to each of said companies, is collecting royalties therefrom, and is fixing the prices at which electric transformers for use in the neon sign lighting industry are sold; the Jefferson Company has also issued a license under its patent to the Webster Electric Company, but this company is an inactive licensee;

That based upon his knowledge of the number of electric transformers used in said industry, the Jefferson Company, and its active licensees, including affiant's company, supply between 75% and 85% of the total; the price schedules issued from time to time by the Jefferson Company purport to affect all of these transformers; and

That the said electric transformers are highly useful in the satisfactory operation of neon signs and are also currently being manufactured and sold for use in the newly developed fluorescent lighting industry.

LEONARD C. MARSHALL.

Subscribed and sworn to before me this 7th day of March, 1942.

ANNE E. RYAN,
Notary Public.

(SEAL)

BRIEF FOR PETITIONER IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

OPINIONS OF THE COURTS BELOW.

The District Court did not render an opinion, but simply entered an order of dismissal which will be found at page 57 of the Record.

The opinion of the Circuit Court of Appeals, written by Judge Sparks, is reported only at 52 U. S. P. Q. 117, and will also be found beginning at page 66 of the Record.

JURISDICTION.

The date of the judgment to be reviewed and other details justifying jurisdiction, are set forth at page 8 *ante* of the accompanying Petition.

STATEMENT OF THE CASE.

The facts pertinent to the questions presented are stated in the Petition and in the interest of brevity are not repeated here.

SPECIFICATION OF ERRORS.

The errors which petitioner will urge if the Writ of Certiorari is issued are that the Court of Appeals for the Seventh Circuit erred:

1. In affirming the order of the District Court for the Northern District of Illinois which dismissed petitioner's counterclaim, as amended;
2. In failing to remand the cause and direct the said District Court to overrule respondent's Motion to Dismiss the counterclaim, as amended;
3. In failing to hold that the said counterclaim, as amended, states a proper and valid cause of action.

SUMMARY OF ARGUMENT.

Petitioner adopts its "Reasons for Allowance of the Writ" set forth in the petition (*ante* pp. 10, 11) as a summary of its argument. In the interest of brevity these points will not be repeated here. For further convenience and simplification Reasons Nos. 1, 2 and 3 will be grouped together and argued as the "First Point" and Reason No. 4 will be presented as the "Second Point."

ARGUMENT.

First Point—THE PUBLIC POLICY AS TO PATENTS REQUIRES THAT THE RIGHTS OF THE PATENTEE AND THE PUBLIC BE ADMINISTERED BY AN EQUALLY FIRM HAND. THE PRINCIPLE OF IMPLIED PATENT LICENSE ESTOPPEL IS NOT SO CONTROLLING THAT IT OVERRIDES PARAMOUNT PUBLIC INTERESTS AS EMPHASIZED BY PRICE FIXING PROVISIONS IN THE LICENSE ITSELF OR BY THE PREVIOUS WRONGFUL CONDUCT OF THE LICENSOR IN AVOIDING AN ADJUDICATION OF THE BROAD CLAIMS UNDER WHICH HE INSISTS ON CONTROLLING PRICES.

Is a Federal Court, sitting as a court of equity, as impotent as the opinion of the Court below suggests? Is a Federal Court restricted both by the Patent Laws and by judicial interpretation from relieving against a patent license estoppel when the latter collides with public policy? The answers to these questions, raised by the first point, and the error into which the Court

* For relevant parts of statutes directly and indirectly involved, see Appendix A, *post*, p. 33.

below fell, may be shown by considering (1) the true nature of public policy as to patents, and (2) the controlling force of the rule of patent license estoppel as affected by the paramount considerations of that policy.

1. The True Nature of the Public Policy as to Patents.—In *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, Mr. Justice Clark stated that since *Pennock v. Dialogue*, 2 Pet. 1, this Court has consistently held that the primary purpose of the Patent Laws was not the creation of private fortunes for patent owners but "to promote the progress of science and useful arts" and he quoted the following significant statement from *Kendall v. Winsor*, 21 How. 322, 327:

"It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public or community at large was another and doubtless the primary object in granting and securing that monopoly."

The law, in allowing the grant of a patent, has not failed to protect the rights of the public; on the contrary, it has safeguarded them. Thus, while patentees have rights, the public has rights also. "The rights of both should be upheld and enforced by an equally firm hand; wherever they come under judicial consideration" (*Densmore v. Scofield*, 102 U. S. 375, 378)."

If there has been any question as to the true nature of public policy as to patents and the relative importance of the public and private interests involved in every grant of a patent, it was recently settled by Mr.

* Quoted with approval by Mr. Justice Black in his dissenting opinion in *Exhibit Supply Co. v. Ace Patents Corp.*, Nos. 154, 155, 156 to the October 1941 Term, 86 L. Ed. 95.

Chief Justice Stone, in *Morton Salt Co. v. G. S. Suppiger Co.* (86 L. Ed. 317, 319), when he stated, in part, that "the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the invention."

The functions of the Federal Courts in carrying out this policy were stated by the Chief Justice to be as follows (p. 319):

" . . . courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest. . . .

" . . . The patentee, . . . of an exclusive privilege granted in the furtherance of a public policy, may not claim protection of his grant by the courts where it is being used to subvert that policy." (p. 320).

If a court may appropriately withhold its aid from a patent owner, to safeguard public interests, it necessarily has the power to grant its aid by relieving against an estoppel to secure the same result. In *Pope Manufacturing Co. v. Gormully*, 144 U. S. 224, because of an issue of public policy, this Court relieved against an express covenant not to contest the validity of, or infringe upon, certain patents and permitted an inquiry into those patents.* This Court then said (p. 234):

" . . . It is as important to the public that competition should not be repressed by worthless pat-

* See the companion cases, Nos. (2) and (4), 144 U. S. 238 and 144 U. S. 254, respectively, where it appears that the patent infringement complaints also pleaded the contract estoppel. Because of the ruling in the main contract action, this latter ground was not further considered and the cases were treated as ordinary actions for infringement.

ents, as that the patentee of a really valuable invention should be protected in his monopoly."

In the instant patent license, there has been no express acknowledgment by petitioner of validity, nor has petitioner expressly covenanted not to contest validity; on the contrary, the estoppel arises by implication only.

Quite obviously, the Court below should not have taken the view that public policy favored only the patentee.

2. The Patent License Estoppel Is Not a Controlling Legal Principle Which Overrides Public Policy.—Estoppels are highly technical. They sometimes compel a person to admit that to be true which is not true (*Westinghouse Electric & Mfg. Co. v. Formica Insulation*, C. C. A. 6, 288 Fed. 330), and act upon a theory which is contrary to the truth (*Simm v. Anglo-American Telegraph Co.*, 5 Q. B. D. 188, 202). It is consequently fundamental that they should not be applied except where clearly justified.

The implied estoppel of a licensee to dispute the validity of his licensor's patent was developed by the courts on the basis of a landlord-tenant analogy. In the note "Estoppel Based on Relationship" 39 Harvard L. R. 637, it is stated that it is "doubtful whether the analogy is sound." True, the estoppel has become a part of the law, "but doubts as to its soundness have caused the grounds for it to be critically examined and to be restricted rather than enlarged" (Kirkpatrick, J., *Chance v. Lehigh Nav. Coal Co.* (D. C. E. D. Pa.) 25 F. Supp. 532).

However, the Court below evaded its responsibility of re-examining the principle in the light of the public policy involved and held that, consistent with a public

policy favoring only the patentee, resort to Congress was necessary for any departure from the well settled principles.*

Re-examination of the rule of patent license estoppel is clearly required because adherence thereto in the instant case collides with the more embracing question of public policy as presented here by (a) the price fixing provisions of the license upon which the estoppel was predicated or (b) respondent's conduct in the *Jefferson-France* litigation in avoiding an adjudication of the claims under which the estoppel is now asserted.

(a) The Price Fixing Provisions Presented a Matter of Public and Economic Concern Which Required the Implied Estoppel to Yield.—Public policy is a vital factor in the consideration of patent licenses, because they sometimes create by contract, rights—apart from the exclusive patent privilege to "make, use and vend"—which the Patent Laws neither contemplated nor authorized. It is thus well settled that a patent owner, by contract, may not enlarge his monopoly and thus acquire some other which the patent statutes and the patent together did not give (*Ethyl Gasoline Corp. v. United States*, 309 U. S. 436, 457). That the public is interested, *eo instanti* in a license, under a patent, which seeks to control unpatented materials or devices which are not included in the exclusive privilege to "make, use and vend" is apparent from the decision of this court in *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502.

* Cf. *Helvering v. Hallock*, 309 U. S. 106, 121, where Mr. Justice Frankfurter observed that the courts walk on quicksand when they "try to find in the absence of corrective legislation a controlling legal principle," and that (p. 122) "The real problem is whether a principle shall prevail over its later misapplications."

Holding, in effect, that the power of a patent owner to contract in restraint of trade is restricted to "just what his inventive genius has discovered," this Court said in the *Motion Picture Patents Case* (243 U. S. 502, 513).

"... It is all that the statute provides shall be given to him and it is all that he should receive, for it is the fair as well as the statutory measure of his reward for his contribution to the public stock of knowledge."

The public is entitled to free competition in a device which is a part of the public domain, and hence, the public is injured and its interest arises when a patent owner collects royalties upon, controls the price of, or represses competition in such a device.

This paramount public interest was clearly recognized by respondent when it agreed that the price fixing provisions of the license should be effectual "so long as such devices continue to be covered by" respondent's patents. Petitioner and the public, as well, were accordingly freely endowed by the instant patent license with everything in the public domain.

Thus on the face of the very contract before the Court, public policy was present.

The Court below held, however, that it was powerless to relieve against a technical estoppel, created solely by that contract, and inquire into the validity of the merely *prima facie* valid claims to test whether or not the public policy was being subverted. The Court refused to apply as analogues already settled by this Court, the rules (a) that a patent owner is confined to profits derived from the patented invention,* (b) that a

* *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, 517—see also *American Lecithin Co. v. Warfield Co.* (C. C. A.—7), 105 F. (2d) 207.

patent owner may not control or fix the price at which unpatented materials or articles may be sold by his licensee,* and (c) that public interest requires a patent monopoly to be predicated upon the statutory requirement of invention and not upon mere inference from the previous conduct of a member of the public.†

For example, it was held in *Carbice Corporation v. American Patents Development Corporation*, 283 U. S. 27, that the attempt there to employ a patent to secure a limited monopoly upon unpatented materials was "analogous to the use of a patent as an instrument for restraining commerce which was condemned, under the Sherman Anti-Trust Law in *Standard Sanitary Mfg. Co. v. United States*, 226 U. S. 20."‡ The same result was reached by this Court in *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458; *Morton Salt Co. v. G. S. Suppiger Co.*, 86 L. Ed. 317; and *B. B. Chemical Co. v. Ellis*, 86 L. Ed. 320.

Because of the public policy present, the implied estoppel should have been subordinated to an inquiry into the actual validity of the patent claims as authorized by the patent statutes and as prayed in petitioner's counterclaim. The public's right to free competition

* *Carbice Corp. v. American Patents Corp.*, 283 U. S. 27; *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458.

† *Haughey v. Lee*, 151 U. S. 282; *Paramount Publix Corp. v. American Tri-Ergon Corp.*, 294 U. S. 464.

‡ The following from the *Standard Sanitary* case is pertinent:

"Rights conferred by patents are indeed very definite and extensive, but they do not give any more than other rights—an universal license against positive prohibitions. The Sherman law is a limitation of rights, rights which may be pushed to evil consequences and therefore restrained." (226 U. S. 49.)

in a device belonging in the public domain should not have been foreclosed by this petitioner's implied admission of validity.

The issuance of patents is expressly made to depend upon considerations of novelty, utility and invention (R. S. § 4886; Appendix A, *post*, p. 33). But the actual presence of these prerequisites must be ascertained by the courts in actions arising under the Patent Laws because "a patentee is not entitled to the public protection, unless the supposed improvement involves actual invention" (*Dunbar v. Myers*, 94 U. S. 187).

The Court below has substituted for actual validity the estoppel of petitioner as created by its implied admission of validity, to the prejudice of the public.

(b) Respondent's Conduct Afforded Ample Ground For Relieving Against the Estoppel in the Interest of Public Policy.—Respondent's covenant to enforce its patents and prevent unlicensed competition was a dependent and concurrent one which must be considered *in pari materia* with the obligations to pay royalties and maintain fixed prices (*Loud v. Pomona Land & Water Co.*, 153 U. S. 564, 573, 576). It was the only vehicle by which the exemptions and releases provided for in paragraph 11b could be brought into effect.

It is elemental that a party should not be permitted to take advantage of his own wrong. Thus where obligations are to be fixed and benefits are to arise, in accordance with a contract, upon the occurrence of a future act, the law does not allow a party to place any obstacle in the way of the happening of such event. This is particularly true where the event is dependent, in whole or in part, on his actions (*Williams v. The Bank of the United States*, 27 U. S. 96, 102; *St. Louis Dressed Beef Co. v. Maryland Casualty Co.*, 201 U. S. 173).

Moreover, that public interests are concerned with respondent's course of conduct in the *Jefferson-France* case and the right now asserted to invoke an estoppel against petitioner appears from *Morton Salt Co. v. G. S. Suppiger Co.*, 86 L. Ed. 317, 319, where it was said:

"Undoubtedly 'equity does not demand that its suitors shall have led blameless lives' . . . but additional considerations must be taken into account where maintenance of the suit concerns the public interest as well as the private interests of suitors."

Respondent, by withdrawing the broad claims from contest, prevented the contingency set up in paragraph 11b from being fulfilled—there being no doubt as to the view of the Court of Appeals for the Sixth Circuit as to the invalidity of the broad claims.* Is not respondent now disqualified from opposing a showing by petitioner of the undoubted fact of invalidity which will relieve petitioner and the public of monopolistic and unwarranted control under those claims?

Respondent's withdrawal of the claims from contest in the *Jefferson-France* case was brought about by (a) a conclusion that the claims were not infringed or (b) a conclusion that they were invalid and would be so declared by the Court.

The first must be eliminated. Respondent had itself originally determined that these claims were infringed (R. p. 51). Moreover, if France infringed a narrow claim, there was infringement *a priori* of the broad claims.

If respondent concluded that the claims were invalid (as must be the case) its strategy was dictated by these considerations:

* See Appendix B, *post*, p. 35.

- (a) If all of the claims were left in suit and all found not infringed or invalid, not only would respondent lose its suit but also its vast licensing system, and price control would be destroyed; and
- (b) If the three narrow claims left in suit were found not infringed or invalid, respondent would nevertheless be in possession of its broad claims and thus still in a position to dominate its licensees and exercise price control.

The public is obviously vitally interested in the conduct of respondent which has enabled respondent to avoid an adjudication of the broad claims of its patent in the face of a direct challenge to their validity and still have the right to control prices thereunder in two very important industries.

Truly we say that on a principle akin to the equitable maxims that a party seeking equity must do equity or have clean hands respondent has disqualified itself from claiming the benefit of the patent license estoppel.

The Court below agreed with respondent's contentions that it alone had the right to determine which claims would be finally adjudicated in the *France* litigation. This is begging the issue and confuses the right to control a law suit with the contract rights of petitioner and the resultant rights of the public in devices found by the Court in the Sixth Circuit to be in the public domain.*

We submit that the Court below should have held that respondent's conduct also afforded ample grounds of

* cf. *Morton Salt Co. v. G. S. Suppiger Co.*, 86 L. Ed. 317, 320:

"... It is the adverse effect upon the public interest of... the patentee's course of conduct which disqualifies him... regardless of whether the particular defendant has suffered..."

relieving, in the interest of public policy, against petitioner's implied estoppel.

Second Point—THE JEFFERSON-FRANCE DECISION NECESSARILY ADJUDICATED THE SUBJECT MATTER OF THE BROAD PATENT CLAIMS TO BE OLD AND PUBLISHED TO THE WORLD THAT THE PATENT MONOPOLY THEREOF WAS DESTROYED. THIS WAS THE EQUIVALENT OF AN ADJUDICATION OF INVALIDITY WITHIN THE MEANING OF THE LICENSE AND EFFECTED THE RELEASE OF DEVICES COVERED ONLY BY SUCH CLAIMS.

Because petitioner urged that the Sixth Circuit decision published to the world the invalidity of the broad claims of the patent and that hence there was an equivalent of the adjudication of invalidity contemplated by the license as to the devices covered only by these claims, it was incumbent upon the Court below to consider and construe the decision.

The Court has purported to do so and has found that there is no language in the decision which bears out the statement that the Sixth Circuit Court, "inferentially at least, declared those withdrawn claims invalid."

This holding is clearly erroneous, as we shall now demonstrate.

After consideration of the evidence adduced in the *Jefferson-France* case, including a careful analysis of prior patents, publications and uses, the Sixth Circuit Court of Appeals said (106 F. (2d) 608):

"It will be seen from this resumé of earlier patents and prior use that the balanced transformer belonged to the public at the time appellee's assignors applied for their patent and that mid-point grounding for the purpose of cutting in half dangerous voltage was in use in transformers of the unbalanced type."*

* Emphasis supplied.

If plaintiff's assignors had not invented the "balanced transformer" and if such devices generally belonged to the public and were beyond the scope of the monopoly of the patent, what then had they invented and what was the monopoly which plaintiff was entitled to? The Sixth Circuit Court of Appeals answered these inquiries thus (106 F. (2d) 609):

"Appellee's assignors were the first to design a transformer with the midpoint ground placed with a definite relationship to the coils, shunts and core of the transformer, This was a combination of the balanced transformer and the midpoint ground, which had theretofore been used in the unbalanced transformer. . . . It is true that the step taken by them was short, but it had theretofore escaped the skill of the art, although an intensive effort had been made to find it."*

The Sixth Circuit Court of Appeals thus found that the step taken by plaintiff's assignors "was short"; in other words, they had merely transferred the "midpoint ground" theretofore used in the old "unbalanced transformer" to the old "balanced transformer."

The plain truth is that the Sixth Circuit Court of Appeals found that a "balanced transformer" was old; also that a "midpoint ground" was old. The *specific combination* of the two, was solely and precisely that which was found by the Court to be *new* and *patentable*.

In Appendix B, *post*, p. 35, we have set out the pertinent portions of the decision of the Sixth Circuit Court of Appeals in the *Jefferson-France* case adjudicating (a) what was old and (b) the precise patentability of the short step taken by respondent's patentees. The side-by-side comparison of the claims there presented conclusively demonstrates that broad claim

* Emphasis supplied.

No. 13 withdrawn from contest by respondent and now asserted against petitioner is directed to a "balanced transformer" which the Court found "belonged to the public" and does not expressly or impliedly contain the specific combination which the court considered inventive (*post*, p. 39).*

Hence the *Jefferson-France* decision published to the world that the monopoly of the broad claims of respondent's patent does not exist in fact. It was the full equivalent of an adjudication of the invalidity of such claims within the meaning of the patent license and the Court below should have so held.

If it was held in the Sixth Circuit that a balanced transformer belonged to the public and if the broad claims only define such device, then it cannot be disputed that petitioner has been *evicted* under its license by the paramount title of the public in such devices. Paragraph 11b of the license was undoubtedly bottomed on the same considerations which underlie the doctrine of *eviction*.

In *Drackett Chemical Co. v. Chamberlain Co.* (C. C. A. 6), 63 F. (2d) 853, after a careful review of the de-

* Respondent will argue, as was held by the Court below, that the Sixth Circuit Court expressly declined to hold the withdrawn claims invalid. This is not true. That Court was asked to declare the entire patent invalid for respondent's failure to file a disclaimer under 35 U. S. C. §§ 65, 71, after respondent became aware of the invalidity and withdrew the claims from contest. It was apparently assumed by the Court that the claims were invalid; but it was held that no duty to disclaim had arisen because the invalidity had not been previously judicially determined. (106 F. (2d) 610, 611.) For confirmation hereof, see the petition for certiorari filed in *France Mfg. Co., petitioner, v. Jefferson Electric Company, respondent*, No. 626, to the October, 1939, Term of this Court. (Denied Jan. 29, 1940, 309 U. S. 657.)

cisions on eviction in the case of patent licensees, the Court stated:

" . . . It is only when by Judicial decree or otherwise, it is published to the world that the monopoly is destroyed, that the licensee can claim a corresponding release from his obligation to pay royalties."

Where a licensor has covenanted to enforce his patent and the obligations of the licensee to pay royalties are conditioned upon the enforceable validity of the patent, conduct of the licensor abandoning part of his supposed domain of enforceability and a decision of a competent tribunal delimiting validity should be held to result in a corresponding *pro tanto* eviction of the licensee which permits the licensee to dispute the validity of the patent. If this is not true, a patent licensor is thus empowered during the life of its patent to continue to avoid an adjudication of its broad claims while still asserting that a licensee is bound by its license in the event it should manufacture a device covered only by these claims.

Must petitioner wait until respondent chooses to sue upon the broad claims before petitioner can secure a formal adjudication of their clear invalidity and share in the rights of the public to the subject matter defined therein?

It is futile to argue or to hold that petitioner should waive its entire license. It must be remembered that one device manufactured and sold by petitioner is admittedly covered by the narrow claims. Thus it is obviously unjust to force petitioner to jeopardize its investment in tools and dies necessary to make said device in its various sizes and to become a deliberate infringer of adjudicated valid narrow claims as to

this device in order to secure a formal declaration of the invalidity of the broad claims as to other devices.

The license emphasizes the separability of the claims of the patents and contemplated that petitioner did not have to yield the entire license in order to obtain the right to manufacture devices covered only by invalid claims. The purpose of paragraph 11b of the license was to relieve petitioner of the necessity of renouncing the license in order to take advantage of an eviction. Whether the decision of the Sixth Circuit Court constitutes an eviction or is regarded as the equivalent of an adjudication of invalidity, the result is the same, i.e., devices covered only by invalid claims have been released of the burdens of the license.

Since there are probably hundreds of patent licenses, with similar provisions, now in force, an important question of patent license construction is raised by this case.

CONCLUSION.

The questions raised by the Petition are of public and economic importance.

The Court below has rendered a decision which is ill considered and which creates novel and erroneous doctrines of the law. The decision involves a patent which affects two very important industries and the issue is one of substance which calls for a review by this Court.

Respectfully submitted,

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Counsel for Petitioner.

Chicago, Illinois,
March 7, 1942.

APPENDIX A.

Statutes Involved.

The statutes which are necessary to be considered are as follows:

Section 4886-of the Revised Statutes (Act of July 8, 1870, C. 230, § 24, 16 Stat. 201, as amended; 35 U. S. C. § 31):

"Any person who has invented or discovered any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvements thereof, or who has invented or discovered and asexually reproduced any distinct and new variety of plant, other than a tuber-propagated plant, not known or used by others in this country, before his invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country, before his invention or discovery thereof or more than one year prior to his application, and not in public use or on sale in this country for more than one year prior to his application, unless the same is proved to have been abandoned, may, upon payment of the fees required by law, and other due proceeding had, obtain a patent therefor."

The Sherman Act of July 2, 1890, 26 Stat. 209, as amended (15 U. S. C. Secs. 1 and 2):

"Sec. 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal . . . Every person who shall make any contract or engage in any combination or conspiracy hereby declared to be illegal shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceed-

ing \$5,000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

“Sec. 2. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.”

• The Clayton Act, of October 15, 1914, 38 Stat. 730
(15 U. S. C., Sec. 14):

“Sec. 3. It shall be unlawful for any person engaged in commerce, in the course of such commerce, to . . . make a sale or contract for sale of goods, wares, merchandise, machinery, supplies, or other commodities, whether patented or unpatented, for use, consumption, or resale within the United States . . . or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies, or other commodities of a competitor or competitors of the lessor or seller, where the effect of such lease, sale, or contract for sale or such condition, agreement, or understanding may be to substantially lessen competition or tend to create a monopoly in any line of commerce.”

APPENDIX B.

Pertinent Portions of Opinion of Circuit Court of Appeals, Sixth Circuit.

France Mfg. Co. }
 v. } No. 8121.
 Jefferson Electric Co.]

(Reported: 106 F. (2d) 605.)
 Before SIMONS, ALLEN, and HAMILTON, Circuit Judges.

HAMILTON, Circuit Judge.

Appellee, Jefferson Electric Company, instituted this action against appellant, France Manufacturing Company, to restrain alleged infringement of mechanical patent No. 1,777,256, applied for July 16, 1928, and issued September 30, 1930, to appellee, assignee of James C. Daley, Edwin G. Goddard and Joseph J. Sola, patentees.

The patent relates to an electric transformer of balanced design and is an improvement on the earlier patent of Daley, *et al.*, No. 1,786,422, of unbalanced design and for which application was filed November 11, 1927, and issued December 30, 1930.

Appellee relies on claims 8, 14 and 19 of the patent which the lower court held valid and infringed.

Farraday was the originator of the transformer. He discovered that if two coils of wire were wound on the same iron or soft steel, magnetic circuit, one primary and the other secondary, and an alternating current passed through the primary, it would induce a like current in the secondary. Disregarding the small loss of energy due to eddy currents and other causes, the voltages of the secondary and primary current may be regarded as in the same ratio as the number of turns of wire on the two coils and the current strength in the two coils as in the same ratio inverted. Hence, if de-

sired to raise the voltage and diminish the current from an alternating current dynamo by 100-fold to save the heat loss in long distance transmission, it is necessary only to introduce a step-up transformer, the secondary of which has about one hundred times as many turns of wire as the primary. At the place where it is to be used the high voltage may be reduced again to any desired extent by employing a device that is the reverse of the step-up transformer. Many inventors have turned their genius to the improvement of the details of Farraday's fundamentally simple device and have developed a transformer with a magnetic core circuit, laminated to reduce eddy currents and with high insulation of the secondary coils from each other and from the primary coils.

The patent in suit relates to a transformer with a magnetic core surrounding and inclosing the electrical windings, and is suitable for neon signs. It is of the compact housing shell type. Its core structure is composed of two stacks of E-shaped stampings, with its primary or low tension windings disposed about the middle of the central leg of the core. Its secondary or high tension windings are of two separately formed coils disposed at the end of the central leg of the core with one on each side of the low tension or primary winding. The outer ends of these coils are the connecting high tension leads to the neon tubing and the inner ends of the coils are connected electrically and also arranged to ground which creates a midpoint ground for the high tension winding.

Magnetic shunts composed of small stacks of laminations placed transversely of the main central and two outer legs of the core structure are located on each side of the primary coil. Small gaps are left at the ends of the shunts tightly filled with non-magnetic material. The arrangement of the transformer is referred to in the art as balanced, which means dividing the secondary windings with the primary between and with two magnetic shunt paths on opposite sides of the primary

so as to come between it and each of the secondary coils.

In the prior art, Elihu Thompson was known as the "father" of electric safety grounding because he introduced the grounded secondary in the transformer as a means of saving life. In his patent No. 400,515, issued April 2, 1899, he stated the object of his invention was to construct a device of a self-regulating character resulting in an automatic adjustment or regulation of the current or potential in the coil forming the secondary when the resistance or current in the same varies. He proposed to do this by a combination with one or the other or both currents of the induction coil of an iron core included in the alternating or varying current circuits with parts brought into definite proximity to form a partial magnetic closure of the magnetic circuit of the core of a definite set value, according to the nature of the regulation of current or the potential desired in the induced circuit, such magnetic circuit being formed independently of the magnetic current which threads both coils of the converter. He used magnetic shunts.

It was also known to the art that a ground connection at the midpoint of the secondary was a useful protective measure where the secondary produced high voltage, but this device, when used in an unbalanced transformer, created the hazard of double current when a short circuit occurred and burned out the transformer without injuring the tubes, electrodes or wiring.

In Fessenden's induction coil, patent No. 64,390, issued July 24, 1900, he stated in order to prevent arcing between the primary and secondary coils, each should be grounded on the core. In the General Electric Review, Vol. 20, Issue No. 12, December, 1917, E. D. Treanor of the Transformer Engineering Department of the General Electric Company, in describing the operation of the series incandescent street lighting circuits with double transformers, explained the location and use of ground connections at mid-point of secondaries in the transformer series to save damage to them or to the wiring and lamps when short circuited.

In Daley and Goddard No. 1,786,422, of which ap-

pelée's device is an alleged improvement, there is shown a single primary coil surrounding one portion of the magnetic core and two secondary coils around another portion and a shunt between them, with a ground connection from the midpoint of the double secondary. The transformer there described was unbalanced.

The shell type of transformer construction is shown in Stanley's patent No. 428,575, issued May 20, 1890.

The art of building balanced transformers was well developed and generally known as early as 1908. The method of dividing the secondary and placing the primary winding in the division with magnetic shunt paths on the opposite side of the primary so as to come between it and each of the secondary coils was explained by Troy in patent No. 895,914, issued August 11, 1908.

In 1925, the American Transformer Company built, and the Fansteel Products Company, of Illinois, had in use at the time of the trial, one 35-KVA high frequency converter with a balanced transformer without a midpoint ground.

In February, 1928, appellant built and sold to Montgomery-Ward Company a low voltage "5-6 ampere dry charger" with a shell type transformer without midpoint grounding but with the primary in the center and a secondary on each side with shunts between and also a leg down the center.

It will be seen from this resumé of earlier patents and prior use that the balanced transformer belonged to the public at the time appellee's assignors applied for their patent and that midpoint grounding for the purpose of cutting in half dangerous voltage was in use in transformers of the unbalanced type.

Appellee's assignors were the first to design a transformer with the midpoint ground placed with a definite relationship to the coils, shunts and core of the transformer, which limited the current in a short circuited coil to substantially no more than normal and limited

the free or ungrounded terminal voltage to approximately half of the full voltage. This was a combination of the balanced transformer and the midpoint ground, which had theretofore been used in the unbalanced transformer. This was done by placing old devices in new locations and through combination with other elements old in themselves, which secured a new and useful result, immediately recognized and adopted by the public. It is true that the step taken by them was short, but it had theretofore escaped the skill of the art, although an intensive effort had been made to find it.

We are of the opinion the patentees made an improvement of sufficient merit to measure up to the requirements of patentability.

Comparison of Typical Broad and Narrow Claims.—The following side-by-side comparison of claims 13 and 14 of the patent in suit shows the clear invalidity of the former because either (1) it is directed only to a "balanced transformer" which the Court in the foregoing opinion found "belonged to the public" at the time of the application for patent or, (2) it does not comprise the specific combination which the Court found was the sole patentable feature.

Claim 13 now asserted against petitioner (R. pp. 39, 40) was withdrawn from contest after the defendant France had attacked the validity thereof. Claim 14 is one of the three claims found to be valid.

Claim 13.

Transformer means comprising the combination of

- (a) magnetic core means
- (b) primary coil means
- (c) secondary coil means

Claim 14.

Transformer means comprising the combination of

- (a) magnetic core means
- (b) primary coil means
- (c) secondary coil means

- (1) one of said coil means consisting of a plurality of coil parts and
- (2) the other coil means being disposed between said coil parts and *in balanced inductive relation thereto and*
- (d) shunt means disposed between the parts of the plural coil part means and the other coil means for reducing the voltage in the secondary coil means by saturation of the magnetic core.
- (e) *a ground connection between the coil parts of the plural coil part means.*

- (1) one of said coil means consisting of a plurality of coil parts and
- (2) the other coil means being disposed between said coil parts and *in balanced inductive relation thereto*
- (d) shunt means disposed between the parts of the plural coil part means and the other coil means for reducing the voltage in the secondary coil means by saturation of the magnetic core and

The italicized portion of element (e) in each claim clearly reveals each to relate to a "balanced transformer."

The combination of italicized element (e) of claim 14 with the other elements (a) to (d) of claims 13 and 14 (a balanced transformer with magnetic shunts), was the "short step" which the Sixth Circuit Court of Appeals found to be the patentable invention. This combination is signally missing from claim 13. The latter is obviously the old "balanced transformer" which was said by the Court of Appeals to belong to the public.

